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C O N F I D E N T I A L CARACAS 000851

SIPDIS

NSC FOR TSHANNON AND CBARTON
ENERGY FOR DPHUMPHREY AND ALOCKWOOD

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SUBJECT: IN GAS CEREMONY CHAVEZ SOUNDS A LESS AGGRESSIVE
NOTE TOWARDS U.S.

REF: CARACAS 708

Classified By: AMB. CHARLES S. SHAPIRO, FOR REASONS 1.4 (b) and (d)

SUMMARY

1. (C) President Chavez pointedly lowered his anti-U.S. rhetoric in a March 9 ceremony hurriedly organized by the GOV to recognize the award to ChevronTexaco (CTX) of an exploration license for an off-shore natural gas block. While agreeing that Chavez had sought to send a message to the USG, senior CTX executives felt it likely that the larger message was aimed at calming the markets, and particularly would-be investors. We believe Chavez is seeking to adopt a strategy from his mentor Fidel Castro and will attempt to use the petroleum industry to try to influence U.S. policy towards Venezuela. End Summary.

CHEVRONTEXACO EVENT PROVIDES A VEHICLE

2. (SBU) As reported reftel, on February 19 the GOV announced the award of Block 3 of the off-shore Deltana Platform natural gas project to ChevronTexaco (CTX), the sole bidder on the block. CTX Latin America President Ali Moshiri contacted the Ambassador late on March 5 with the news that the GOV had contacted him to say the license would be granted in a ceremony at Miraflores Palace on March 8. Econoff ultimately attended the ceremony representing the Ambassador.

ATMOSPHERICS

3. (C) While it is normal for the Minister of Energy and Mines and PDVSA President Ali Rodriguez to attend such events, a panoply of other senior GOV officials attended. Virtually the entire economic cabinet was there (Ministers of Finance, Production and Commerce, and Planning and Development) as well as Foreign Minister Jesus Perez and Vice President Jose Vicente Rangel. Ali Rodriguez was accompanied by numerous senior PDVSA officials (including CITGO President Luis Marin who reportedly had met with President Chavez upon his arrival in Venezuela the day before). (Note: So many, in fact, that econoff believed Chavez would make a long-expected announcement about changes in PDVSA's Board in his speech.)

THE SPEECH

4. (C) Chavez spoke for about an hour in a speech broadcast by GOV mandate nationally on all radio and television channels. In an early reference to CTX, he said pointedly "we recognize ..the presence of these brothers from the U.S. who come not to attack us nor to show a lack of respect, but come to unite with us..." Leading with, "our relationship with the U.S. is historic and profound," Chavez then launched into a lengthy discourse on the role of Venezuelan independence leader Francisco de Miranda in the U.S. War of Independence. He also spoke of Presidents Roosevelt and Kennedy, the Marshall Plan and Alliance for Progress, and noted that Roosevelt, had he lived now, would have been accused of being a "chavista." Chavez also compared President Kennedy and Senator John Kerry. He underlined that Venezuela has been a stable supplier of oil to the U.S. during the five years of his presidency, except for two occasions in April and December 2002 when supply disruptions had been caused by his opposition. Chavez pointed to the overall importance of the U.S. as a commercial partner to Venezuela and finally ended with a reference to Walt Whitman's "Leaves of Grass."

5. (C) In his one off-message moment, Chavez slipped in a reference to the capital of Trinidad and Tobago as Port of Prince. After an aide handed him a note, he apologized to the Trinidadian Ambassador who was present in the audience

and corrected himself, saying he had been thinking about Port of Prince a great deal recently and that "part of his soul" was there.

CTX'S TAKE

16. (C) In a subsequent meeting with the Ambassador, Ali Moshiri, accompanied by Alan Kleiman, Vice President for Exploration and Production of ChevronTexaco International, agreed that the ceremony had been arranged with suspicious speed. He added that the award of an exploration block hardly merits such treatment -- and particularly a block for which CTX had only made a \$5 million bonus bid. The CTX executives laughed over the impression Chavez had created in his speech that CTX had won the block in competition against 15 other bidders rather than being the sole bidder. They agreed the GOV had staged the event to provide a counterbalance to Chavez's harsh comments about cutting off oil sales to the U.S. the week before. But, while agreeing that Chavez sought to send a message to the USG, Moshiri felt it likely that the larger message was aimed at calming the markets, and particularly would-be investors. Moshiri added that, if there had been another non-U.S. bidder, the GOV would have found some way to award the block to that bidder and reiterated his belief (reported reftel) that Minister of Energy and Mines Ramirez_ and PDVSA President Ali Rodriguez had worked hard to convince Chavez to award the block to a U.S. company.

COMMENT

17. (C) It is clear that Chavez had deliberately sought a venue in which he could pitch a different message to U.S. majors after his threats to cut off oil supplies the week before which were coupled with vulgar abuse of President Bush. We believe Chavez is seeking to adopt a strategy from his mentor Fidel Castro. Just as Fidel has tried to use potential food sales to Cuba to turn U.S. agribusinesses into lobbyists for him, we believe Chavez may attempt to use energy companies to shield him from U.S. political criticism. Ultimately, Chavez believes that oil is all that matters to the U.S. in Venezuela and that, so long as the oil flows uninterrupted, we should leave him alone.

18. (C) We expect Chavez quickly to resume his U.S. bashing.
SHAPIRO

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